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MARKET FOCUS

GCC signs first free trade agreement with Singapore

By Lester Lu, Manager, International Operations (Middle East & Africa), IE Singapore

Singapore and the Gulf Cooperation Council (GCC), which comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, recently signed the GCC-Singapore Free Trade Agreement (GSFTA), the first-ever FTA for the GCC. The GSFTA marks a key step forward for economic relations between Singapore and its seventh largest trading partner, as it will grant tariff-free access for about 99 percent of Singapore's domestic exports.



International Enterprise (IE) Singapore, with its four overseas centres in the GCC (Abu Dhabi, Dubai, Qatar, Jeddah), will be promoting the use of the GSFTA to Singapore-based companies through workshops and seminars. Apart from the GSFTA, Singapore also has bilateral cooperation frameworks in place with various GCC countries.

Focus: Kingdom of Saudi Arabia

These include the Investment Guarantee Agreement (IGA) with Saudi Arabia which was signed in 2006, a simplified Double Tax Avoidance Agreement (DTA), as well as the establishment of the Saudi-Singapore Joint Business Council (SSBC) led by the Singapore Business Federation.

As the largest economy in the Middle East accounting for half of the GCC's gross domestic product (GDP), Saudi Arabia's global power and influence are indisputable. It is one of the fastest growing countries in the world with a high per capita income of US\$20,700 (2007). It officially has approximately 260 billion barrels (4.1×10¹⁰ m³) of oil reserves, comprising about 24 percent of the world's proven total petroleum reserves. It is also the world's leading petroleum exporter, with the oil industry comprising about 45 percent of its GDP, compared with 40 percent from the private sector.

In its bid to diversify its economy, Saudi Arabia has embarked on some US\$400 billion worth of projects, offering many opportunities for foreign businesses. Among its many ambitious mega projects are six economic cities, most notable of which is the King Abdullah Economic City (KAEC) which will be completed by 2020.

Business Links

Saudi Arabia is Singapore's largest trading partner in the Middle East. Bilateral trade in 2007 was S\$14.5 billion, mainly due to Singapore's substantial oil imports. Singapore's top exports to Saudi Arabia were civil engineering equipment and parts, plastics, vehicle parts and iron pipe fittings.

By the end of 2005, Saudi Arabia's investments in Singapore stood at S\$1.3 billion. Inward investments are limited to petrochemicals and equity injection in local companies.

Since the opening of IE Singapore's office in Jeddah in September 2007, Singapore companies have forayed into areas of real estate, energy and chemicals, transport and logistics, and environmental services. Service sector projects in healthcare, education and infocomm technology make up a smaller but growing proportion.

Some prominent Singapore projects in Saudi Arabia include the master planning of the King Abdullah Economic City by RSP Architects and Sudair Industrial City by Jurong International. Keppel Land and the Saudi Economic and Development Co. Ltd are jointly developing luxury residences on a 3.6-ha site along the Corniche waterfront in Jeddah. More recently in November 2008 Changi Airports International won the contract to run King Fahd International Airport in Dammam for six years.

For more information, please visit [IE Singapore website](#).

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